

The Camisea Project: ***Environmental and Social Initiatives***

The Camisea project is located in areas of extremely rich and diverse environmental and social characteristics that require special attention and could be significantly and negatively impacted if the project is not properly developed. Working with local communities, non-governmental organizations (NGOs), the Government of Peru and the private consortium constructing Camisea, as well as developing an extensive consultation program in Peru and Washington, DC, the Inter-American Development Bank (IDB) has taken a series of proactive steps to improve the environmental and social sustainability of the project and ensure stakeholder participation. Taken as a whole, the Bank's involvement in this type of project is unprecedented.

The Camisea Project consists principally of an Upstream Component, which includes the exploration and exploitation of gas deposits in Camisea and processing at Las Malvinas and a gas fractionation plant and marine terminal for natural gas liquid proposed for south of Pisco, all under the responsibility of a multinational consortium led by Pluspetrol; and a Downstream Component, which consists of the transport of natural gas from Las Malvinas to the City Gate^[1] in Lurín (approximately 715 km of pipeline) and natural gas liquids to Pisco (approximately 540 km of pipeline), under the responsibility of Transportadora de Gas del Peru (TGP).

The IDB has taken on a much greater role than just mitigating the impact of the Downstream portion of Camisea that it is financing. The Bank began to consider financing the project just prior to the initiation of construction. While the Bank's proposed financing for the project for a portion of the Downstream component represents only a small fraction of its total cost (approximately 8 percent), the IDB has identified and requested various improvements in the project, related to both the Downstream and Upstream Components. The IDB has also assumed responsibility for monitoring and supervising environmental and social protection measures for the entire project during the Bank's due-diligence. In addition, the IDB has provided resources to the Government of Peru to strengthen its agencies' ability to monitor and enforce agreed-upon environmental and cultural safeguards. In conjunction with the project's consortium companies and Government of Peru (GOP), the IDB has also worked on developing a series of measures to address potential long-term issues and to develop a series of positive programs to improve the environmental, social and economic conditions in the area of the project, such as the Camisea Environmental, Social and Economic Development Fund, which will provide direct investment of Camisea revenue/royalties in the surrounding and affected communities.

The IDB's support for Camisea represents an innovative approach toward private sector financing projects of this nature in order to respond adequately to legitimate environmental concerns and challenges, appropriately distribute economic benefits, protect social diversity and help ensure long-term and sustainable development. By taking an integrated approach to problem-solving, the IDB has been able to leverage its relatively small financial contribution to achieve a greater sustainability for a project that is key to Peru's future development.

Some of the principal IDB activities include:

- ***Stakeholder Engagement Process.*** The IDB strongly believes that, in relation to the Camisea project, stakeholder input and a willingness to have constructive dialogue to resolve concerns is an essential element in enhancing the design and implementation of an environmentally and socially sustainable project. Thus, prior to any formal

^[1] The terminus of the gas pipeline (Downstream Component) and beginning of the Distribution component.

consideration of the financing of the Downstream Component of the Camisea project, the IDB developed and implemented an extensive public consultation program that was planned in consultation with indigenous organizations and national and international environmental stakeholders. The program included: 13 public meetings in local and indigenous communities, as well as urban areas in the Camisea area of influence; a public meeting in Washington, DC; and numerous meetings and discussions from early 2001 until mid-2003 with various affected populations, local and international non-governmental organizations, indigenous communities and organizations, and other project stakeholders. This IDB consultation program was in addition to over 400 consultations concerning environmental and social concerns that took place in the project design phase. Following suggestions from the IDB, the consortium companies implemented a stakeholder communications program to improve transparency and dialogue with local and international stakeholders. The IDB also requested the creation of a website to ensure ongoing transparency and engagement with stakeholders (www.camisea.com.pe).

- ***Environmental Considerations during Construction Design.*** Camisea was designed with a specific focus on protecting the area's unique biodiversity and ensuring respect for the indigenous communities living in the Camisea surrounding areas. During the design phase, the consortium companies implemented various techniques to help mitigate the impact of the project's development. The primary concept adopted during the construction design is the "off-shore in-land" approach, which minimizes access roads and maximizes air and river transportation using river barges and helicopters to reduce potential impacts from ground transportation, land clearing and the creation of access routes to remote areas.

In accordance with community and non-governmental organization recommendations, the project re-routed the right-of-way (RoW) to minimize impact on the region during construction and reduce the risk of induced migration. The Downstream Component of the project has been designed to minimize access roads in the rainforest areas. More than 90 percent of the length of the pipeline right-of-way was used as a roadway during construction to transport personnel, materials and machinery and avoid the need for new roads. In the Lower Urubamba area there was no road construction. In the Upper Urubamba, the project used three existing access roads that have been improved. A small section of one of these roads leads to the Chimparina camp. In the highlands and coastal areas, existing roads have been identified and improved, but no new roads have been constructed.

- ***Erosion Control.*** The project's comprehensive erosion control and re-vegetation programs are designed to ensure the areas disturbed by the gas pipeline will be returned to their original and natural state. The species selected for re-vegetation are native plants existing in the area. For erosion control purposes, areas where construction is completed will be immediately re-vegetated.
- ***Migration and Colonization Prevention.*** Since construction of the Camisea project began, the project companies have implemented protective measures to prevent migration and colonization, one of the main concerns raised by local communities. Protective measures implemented have included:
 - prohibiting construction of new roads connecting the Upper and Lower Urubamba;

- controlling migration along a temporary access road that runs through the Monte Carmelo native community;
 - enforcing strict access control of all foreign persons to the area;
 - protecting local communities from incidence of diseases as a result of contact with foreign workers and observers through a strict vaccination program and Code of Conduct for all project personnel; and
 - imposing employment limitations for Camisea project workers, emphasizing the hiring of people from local, affected communities.
- ***Paracas Bay.*** Paracas Bay has long suffered from existing sources of pollution and uncontrollable development unrelated to the Camisea project. A collaborative effort between the IDB, the Government of Peru and the consortium companies has translated into a serious and comprehensive effort to rehabilitate the ecosystems of the Paracas Bay area and implement advanced environmental risk-management technology to prevent further pollution. The Camisea project is located in an industrial zone five miles from Paracas Bay, where ships will load liquefied natural gas products from an off-shore platform. Existing polluting industries in the project area, such as fishmeal plants, will be cleaned up, and urban planning and control measures will be adopted. The clean-up effort has the support of the private sector, non-governmental organizations, the Peruvian government and the international community.
 - *Paracas Bay Commission.* In September 2003, the Government of Peru announced the creation of the Commission for Sustainable Development of Paracas Bay. The goal of the commission is to leave Paracas Bay cleaner after the Camisea project than before. Members of the commission include representatives from the Government of Peru, the IDB, local governments of Pisco, San Andres and Paracas; consortium companies; traditional fishing communities; and other stakeholders directly impacted by or concerned with the Bay. The Commission has six working groups that will focus on the following issue areas: waste water treatment; waste management; artisan fisheries; tourism; environmental control of fisher mills; and establishment of effluents limits.
 - ***Monitoring.*** As part of the environmental and social due diligence process, the IDB has implemented an independent environmental and social monitoring system for Camisea, representing the first time the IDB has monitored a project on this scale prior to project approval. Through the monitoring system, the IDB requires the results from the consortium companies' independent environmental and social assessments be made public to project stakeholders, including local communities and non-governmental organizations. This monitoring system is in addition to the independent monitoring systems of the project companies, the Government of Peru monitoring programs and the community monitoring programs.
 - ***Institutional Strengthening of the Government of Peru.*** During the environmental and social due-diligence phase of the Camisea project, the IDB identified potential medium to long-term negative effects that could result from the project's construction.

To address these issues, the IDB approved a \$5 million loan to the Government of Peru for the creation of a program to strengthen social and environmental investments, monitoring and enforcement. This program is designed to improve the institutional capacity of Peruvian government entities directly involved in the inspection, supervision and monitoring of the Camisea project as well as to address priority activities that are the

Government's responsibility and are intended to mitigate the project's long-term indirect negative environmental and social effects.

Specific initiatives included in the IDB loan to the Government of Peru are:

- creation and support for the Paracas Bay Commission;
- creation of the Inter-Institutional Coordination Committee (*GTCI-Grupo Técnico de Coordinación Institucional*) to help coordinate the activities and entities involved with the Camisea project;
- appointment of a specific Camisea project Ombudsman;
- development of a Forestry Control Plan which establishes technical measures and guard posts in order to avoid illegal logging, prevent colonization and protect biodiversity in restricted areas of the Lower Urubamba area;
- approval of legal decrees and development of the studies which will serve as the basis for the creation of environmentally protected areas including Otshi National Park, Ashaninka and Machiguenga Communal Reserves and Machiguenga Sanctuary;
- increase the protection status for the Nahua-Kugapakori indigenous community;
- development of a protocol for areas with non-contacted indigenous groups;
- complementing TGP's existing land titling program along the right-of-way of the gas pipeline to other areas using resources from an IDB-financed program; and
- development of an Economic, Environmental and Social Development Fund using royalties from the project to help promote equitable distribution of the economic benefits raised by Camisea to the areas of influence of the project.

- **IDB Efforts post-approval.** Since the approval of the loan by the IDB Board of Directors in September 2003, IDB staff have conducted missions to Peru every month, during which meetings and discussions were held with different affected populations and numerous local civil society organizations. Since September 2003, numerous additional actions pertaining to the Camisea project have been taken at the request of IDB:
 - Numerous workshops have been held locally to allow civil society to participate directly in many of the plans and documents required for the project, in particular those relating to financial closure, including the plans for access control, re-vegetation and biodiversity monitoring, the protocol for working in areas of indigenous peoples and the Camisea Fund;
 - Numerous draft documents have been circulated for review by civil society organizations;
 - A group of local experts identified by local non-governmental organizations have visited the project and directly participated in and approved the environmental performance criteria for TGP and Pluspetrol regarding access control, re-vegetation and biodiversity monitoring; and
 - Discussions have been held with various civil society organizations in terms of improving the supervision of the Camisea project related to the role of civil society organizations.
- **Legal Agreement.** The IDB will require the establishment of numerous environmental and social provisions in the loan agreement between the IDB and TGP (Downstream Company), including various technical requirements, environmental certifications for disbursements and release of sponsor support, different financial mechanisms to promote compliance and various reporting and monitoring/supervision requirements. There will

also be an agreement in which the Upstream Consortium commits to various environmental and social provisions.

- **Financial Closure.** Prior to financial closure and first disbursement of the IDB loan, the Downstream and Upstream consortiums are required to adhere to a series of environmental and social conditions, including:
 - develop erosion control, re-vegetation, bio-diversity monitoring and access control plans;
 - demonstrate adequate mitigation of soil erosion;
 - establish specific environmental, social and health and safety benchmarks for construction and operation;
 - implement the necessary actions to strengthen the monitoring system of environmental and social aspects of the project;
 - provide, as required, the necessary resources for the community monitoring program;
 - implement a social communications program for local and international stakeholders;
 - ensure coordination among the consortium companies for adequate social and environmental monitoring;
 - provide the necessary human and financial resources for the management of environmental, social and health and safety aspects during project construction and operation;
 - provide adequate insurance to cover all reasonable environmental, social and health and safety risks associated with the project; and
 - develop finalized specific plans for Environmental and Social Management, Contingency and Health and Safety for project operations.

In addition, in order to obtain financial closure, the Government of Peru must present a letter of commitment, including an action plan for its implementation. This letter formalizes the Peruvian government's assurance that it will deal with environmental and social issues associated with the Camisea project.

Conclusion

Numerous entities, including various local and international civil society organizations, have affirmed that the participation of the Bank has made an enormous difference in the environmental and social viability of the Camisea Project. It is also clear that with the ongoing IDB participation, continued leverage can be maintained to ensure that adequate environmental and social protection measures are put in place. The IDB believes the necessary protocols have been established to ensure that the direct, indirect and cumulative environmental, social and health and safety negative impacts and risks associated with the Camisea project will be properly mitigated.

Additional environmental and social information and documentation regarding the Camisea project can be found at:

Camisea Project Website

<http://www.camisea.com.pe>

<http://www.camisea.com.pe/reports.asp>

Ministry of Energy and Mines Website

www.mem.gob.pe/gtcicamisea
http://www.minem.gob.pe/gtcicamisea/gestionambiental_reportesdemonitoreo.asp

OSINERG Website

<http://www.osinerg.org.pe/osinerg/camisea/camisea.htm>

Camisea Project Ombudsman Website

<http://www.camisea.com.pe/defensoria.asp>

<http://www.minem.gob.pe/gtcicamisea/defensoria.asp>

Inter-American Development Bank Website

<http://www.iadb.org/exr/doc98/apr/lcperu.htm>

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